



January 13, 2016

SENATE BILL No. 99

DIGEST OF SB 99 (Updated January 12, 2016 12:21 pm - DI ck)

Citations Affected: IC 24-4.5.

Synopsis: Small loans. Amends the statute concerning small loans to require a lender to conspicuously disclose, both in the lending area of each of the lender's Indiana business locations and in the loan documents provided to borrowers, the: (1) median number of days that a borrower is indebted under one or more outstanding small loans with the lender during a calendar year; and (2) median number of small loans entered into by a borrower with the lender during a calendar year; based on all small loans made at all of the lender's Indiana business locations during the most recent calendar year. Provides that whenever a borrower enters into an initial small loan or a subsequent small loan with a lender (regardless of whether the subsequent small loan qualifies as a "consecutive small loan" made within seven days after a previous small loan is paid in full), the lender shall offer the borrower the option to repay the initial or subsequent small loan under an extended payment plan. (Current law requires a lender to offer a borrower the option to repay: (1) the third; and (2) any subsequent; consecutive small loan under an extended payment plan.) Provides that an extended payment plan may not require a borrower to make an installment payment in an amount that exceeds: (1) \$50, if installments are paid on a biweekly or more frequent basis; or (2) \$100 if installments are paid less frequently than biweekly.

Effective: July 1, 2016.

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January 5, 2016, read first time and referred to Committee on Rules & Legislative Procedure.

January 12, 2016, amended; reassigned to Committee on Insurance & Financial Institutions.

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January 13, 2016

Second Regular Session 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

SENATE BILL No. 99

A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 24-4.5-7-301, AS AMENDED BY P.L.35-2010,
2 SECTION 83, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2016]: Sec. 301. (1) For purposes of this section, the lender
4 shall disclose to the borrower to whom credit is extended with respect
5 to a small loan the information required by the Federal Consumer
6 Credit Protection Act.
7 (2) In addition to the requirements of subsection (1), the lender must
8 conspicuously display in bold type a notice **both** to the public ~~both~~ in
9 the lending area of each business location and in the loan documents
10 the following statement:
11 "WARNING: A small loan is not intended to meet long term
12 financial needs. A small loan should be used only to meet short
13 term cash needs. The cost of your small loan may be higher than
14 loans offered by other lending institutions. Small loans are
15 regulated by the State of Indiana Department of Financial
16 Institutions.
17 A borrower may rescind a small loan without cost by paying the

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cash amount of the principal of the small loan to the lender not later than the end of the business day immediately following the day on which the small loan was made."

(3) The statement required in subsection (2) must be in:

- (a) 14 point bold face type in the loan documents; and
- (b) not less than one (1) inch bold print in the lending area of the business location.

(4) In addition to the statement required under subsection (2), a lender shall conspicuously disclose, both to the public in the lending area of each of the lender's Indiana business locations and in the loan documents provided to individual borrowers, the following information:

(a) The median number of days that a borrower is indebted under one (1) or more outstanding small loans with the lender during a calendar year, calculated according to all small loans made by the lender at all of the lender's Indiana business locations during the most recent calendar year.

(b) The median number of small loans entered into by a borrower with the lender during a calendar year, calculated according to all small loans made by the lender at all of the lender's Indiana business locations during the most recent calendar year.

(5) The information required under subsection (4) must be:

(a) displayed in the lending area of each of the lender's business locations; and

(b) included in the loan documents provided to borrowers; in the form and manner prescribed by the department.

~~(4)~~ **(6)** When a borrower enters into a small loan, the lender shall provide the borrower with a pamphlet approved by the department that describes:

(a) the availability of debt management and credit counseling services; and

(b) the borrower's rights and responsibilities in the transaction.

SECTION 2. IC 24-4.5-7-401, AS AMENDED BY P.L.186-2015, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 401. (1) A small loan may not be made for a term of less than fourteen (14) days.

(2) If five (5) consecutive small loans have been made to a borrower after the borrower's initial small loan, another small loan may not be made to that borrower within seven (7) days after the fifth consecutive small loan is paid in full. After the borrower's fifth consecutive small loan, the balance must be paid in full.



(3) Subject to ~~subsection~~ **subsections (2) and (4)**, whenever a borrower ~~has entered~~ **enters** into an initial small loan ~~followed by three~~ **(3) or a subsequent small loan (regardless of whether the subsequent small loan qualifies as a consecutive small loan, loan under section 108 of this chapter) with a borrower**, the lender shall offer the borrower the option to repay (a) the ~~third consecutive initial or subsequent~~ **third consecutive initial or subsequent** small loan and (b) ~~subject to subsection (2); any small loan entered into after the third consecutive small loan;~~ under an extended payment plan. At the time of execution of **an initial small loan or a subsequent** small loan, ~~described in subdivision (a) or (b);~~ the lender shall disclose to the borrower the extended payment plan option by providing the borrower a written description of the extended payment plan option in a separate disclosure document approved by the director.

(4) A lender shall offer an extended payment plan under subsection (3) under the following terms and conditions:

(a) A borrower shall be permitted to request an extended payment plan at any time during the term of a ~~third or subsequent consecutive~~ small loan if the borrower has not defaulted on the outstanding small loan.

(b) An extended payment plan must allow the outstanding small loan to be paid in at least four (4) equal installments over a period of not less than sixty (60) days. **An extended payment plan may not require a borrower to make an installment payment in an amount that exceeds:**

- (i) fifty dollars (\$50), if installments are paid on a biweekly or more frequent basis; or
- (ii) one hundred dollars (\$100), if installments are paid less frequently than biweekly.

However, an extended payment plan must allow a borrower to make, without penalty and at any time during the term of the extended payment plan, an installment payment in an amount that exceeds the amount set forth in clause (i) or (ii).

(c) An agreement for an extended payment plan may not require a borrower to pay any amount before the original maturity date of the outstanding small loan.

(d) The lender may not assess any fee or charge on a borrower for entering into an extended payment plan.

(e) An agreement for an extended payment plan must be in writing and acknowledged by both the borrower and the lender.

(f) A borrower may not enter into another small loan transaction while engaged in an extended payment plan.



- 1 (g) A lender may not compel or require a borrower to pay off an
2 outstanding small loan that is eligible for an extended payment
3 plan and to subsequently enter into a new small loan with the
4 lender if the borrower and lender have not entered into an
5 extended payment plan with respect to the eligible outstanding
6 small loan.
- 7 (5) An agreement for an extended payment plan under subsection
8 (3):
- 9 (a) shall be considered an extension of the outstanding small loan;
10 and
11 (b) may not be considered a new loan.



COMMITTEE REPORT

Madam President: The Senate Committee on Rules and Legislative Procedure, to which was referred Senate Bill No. 99, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill be reassigned to the Senate Committee on Insurance & Financial Institutions.

(Reference is to SB 99 as introduced.)

LONG, Chairperson

